

# WHAT IS A SOCIAL IMPACT BOND?

City, state and federal budgets may be declining, but the social challenges those governments face aren't going away. To fill the gap, policymakers are  $% \left( 1\right) =\left( 1\right) \left( 1\right$ turning to a new financing mechanism called a social impact bond. It's a public-private partnership designed to deliver ambitious social programs to underserved communities

## **HOW IT WORKS**



### A community faces a challenge

incarceration rates, for example.
Or low academic performance.



# The government makes it a priority

Policymakers recognize the challenge resources to address it.



### Private investors step up

money to finance the up-front and tinuing costs of the program.



# A service provider has a solution

program that can be expanded.
Or a strategy that has worked elsewhere and can be replicated.



## brings it all together

The project manager uses the proceeds of the loan to fund day-to-day operations.





# An evaluator measures success

how effective the program has been, based on the agreed-upon metrics.



- Private investors loan
   money to the project manager
- 2 The project manager uses the money to fund the service provider's program.
- 3 Independent evaluators measure the program's effectiveness.
- 4 If the program is successful, the government pays the project manager.
- 5 The project manager repays the private investors.



# The government pays for results

Based on the demonstrated impact of the program, project manager, who





## THE COMMUNITY

Its needs have been driving the project from the beginning. The program's success can make a measurable difference for the people who live there.



## THE GOVERNMENT

It gets to address a policy priority. And even after repaying the investors, it can achieve long-term savings.



## THE INVESTORS

Depending on how successful the program is, they get their money back and earn a return.